

Town of Milton

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The following is provided so that all may be better acquainted with a process that is an integral part of sustaining local government.

Property Value Assessment

The assessment of property value, for the purposes of taxation, is an assessment or re-assessment. The assessed value, times the tax rate, equals the property tax due. Property taxes are the largest source of income for the operation of local governments throughout our nation. The assessment component of the property tax equation is greatly misunderstood, though.

An assessment resembles an appraisal of market value at a specific point in time. It is a “snapshot” of each property in a particular jurisdiction in a given year. Properties that are improved at a future date will have a “multiplier” applied to the current value. Depending upon the market conditions, this multiplier may increase or decrease the assessed value – when compared to the market value. Because all properties are valued with the same point of reference, it is an equitable device by which taxes may be calculated, though.

A re-assessment of values in an entire jurisdiction is a very expensive undertaking. Delaware law regarding re-assessment does not allow for an increase in tax revenue during the year following an assessment, as well. For these reasons, re-assessments are rarely done. And, as a consequence, the relationship between the market value (an appraisal) and the assessed value becomes more and more distant.

In unincorporated Sussex County, the basis for assessed value is the year 1974. Properties with improvements since then (home construction or general improvements) have the current value adjusted to reflect 1974 values – which are significantly less than the current market value. The tax rate, however, is higher.

In some municipalities, a re-assessment has been done since 1974. Depending upon market conditions at the time of the re-assessment, the current value adjusted to reflect values at the time of assessment may be adjusted “upwards”. The tax rate, relative to under-valued properties, would be higher.

Tax appeal forms that solicit a property owner’s appraisal of the current market value of their home only serve to further confuse the issue. The current market value has little to do with the assessed value. The “assessed value” is what the value would be if the property was so improved at the time of the jurisdiction-wide re-assessment.

As a point of reference, these local communities were assessed in the following years: Rehoboth Beach (1968), Laurel (1974), Blades (1989), Lewes (2000) and Milford (2002). The Town of Milton was last assessed in 2009 (effective 2010). This was at the “peak” of the housing market. So, the value noted on the assessment roll will very likely be greater than the market value in 2012.

The Assessment Process

The Town of Milton uses a professional appraiser to conduct assessments of properties and property improvements. It is the same assessor used by Rehoboth Beach and Ocean View, Delaware. The following is an abridged version of the process used by PTA/Del Val:

The process begins with the analysis of vacant land sales to derive the value of the underlying land. In highly developed urban areas there are normally a very limited number of vacant land sales available. In such cases we employ a wider search for vacant land sales in adjoining jurisdictions as well as current active listings of vacant land. As a last resort, it is sometimes necessary to employ a procedure known as a 'Land Residual Analysis'. The Land Residual Technique is a process where the structural component of the improved sales is valued using the rate tables outlined above. The value of the improvements is then subtracted from the known sales price which then indicates the 'Residual' Land Value.

There are numerous other subjective factors which have to be considered such as location, condition, quality, etc. which must also be taken into account. The testing process is continuously modified and adjusted so that the projected value of the known sales using the derived valuation criteria will produce a value estimate which closely equals the actual sales price. Because no two houses will sell for the exact same figure, we have to presume that for any given sale there will be special factors or unknowns which will affect the final price. An example of such a factor would be when someone agrees to sell a property at a loss in order to be able to move in a hurry to take advantage of a new job opportunity. Another example would be when someone pays a premium for a property because they want to be in a specific neighborhood or school district.

As you can see, there is a substantial amount of analysis which goes into the derivation of the rate tables for any given reassessment. The goal of the testing process is the determination of a Median Assessment Sales Price Ratio (A/S Ratio) as close to 100% as possible. If a property is assessed for \$190,000 and sells for \$200,000 it is said to have a A/S Ratio (\$190,000/\$200,000) of 0.95 or 95%. If the assessment was \$200,000 the A/S ratio would be (\$200,000 / \$200,000) or 1.00 or 100%. The ratios for all of the sales are developed and stratified by order of magnitude. The Ratio in the middle with 50% of the observations greater and 50% less is the Median Ratio. The rates are continually modified and tested until the tested ratios fall within the target parameters.

While this is a simplistic explanation of the testing procedure, keep in mind that the goal is to produce the Median A/S Ratio as close to 100% as possible and with the least amount of variance. Several sophisticated statistical tests are made using the population of known sales in an effort to minimize the variations.

Upon finalization of unit rate tables, all of the properties are valued throughout the jurisdiction using the derived rates. Each of the individual properties are valued with specific emphasis given to their unique subjective elements. In this way, all of the properties are valued on the same basis as of the effective date of valuation.

Once the reassessment process is completed, all properties have been valued as of the same date and time using a standardized market derived valuation rate table which reflects the current market conditions prevalent as of the date of valuation. Thus the values are finalized throughout the jurisdiction and are locked in place until the next reassessment is conducted.

Property Tax Appeals

The Town of Milton provides an opportunity for a property owner to appeal their property tax assessment each year. This process is detailed with the Town Charter and may be found by searching for the Town of Milton, DE on the General Code website (www.ecode360.com).

Section 25 of the Town Charter says, in part:

(f) Any taxable person or entity may file an appeal to be heard by the Town Council by filing an application in writing at the Town Hall, stating the reason, or reasons, for the appeal, no later than fifteen (15) days before the date on which the Town Council will sit to consider such appeals. Once such an application for appeal has been filed, the Town of Milton shall notify the appellant, by certified mail, of the date, time and location of the scheduled appeals hearing and shall confirm that the appellant's appeal shall be heard at said hearing.

The Town of Milton, through its elected representatives and administrative staff, strives to provide an equitable way for all citizens to support the general services that they desire as a benefit of living in an incorporated community. Property tax revenue is the primary source of the revenue needed for these services. This information is provided to promote a better understanding of how it is calculated.